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HOUSING AUTHORITY OF THE
CITY OF SULPHUR
Sulphur, Louisiana

Financial Statements
And Supplementary Information

For the Year Ended December 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-16-06

**HOUSING AUTHORITY OF THE CITY OF SULPHUR
SULPHUR, LOUISIANA**

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Tax
Accounting and Auditing
Financial Planning and Forecasting
Estate Planning
Management Advisory Services
Small Business Accounting Services

Independent Auditors' Report

Board of Commissioners
Housing Authority of The City
of Sulphur
Sulphur, Louisiana



DUNN, ROBERTS
& COMPANY, LLC

We have audited the accompanying financial statements of each major fund of the Housing Authority of The City of Sulphur as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Housing Authority of The City of Sulphur. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Housing Authority of The City of Sulphur as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2006 on our consideration of the Housing Authority of The City of Sulphur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

MEMBERS

Robert G. Dunn
CPA

Sara A. Roberts
CPA

Donita G. Helms
CPA

required supplementary information. However, we did not audit the information, and accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying information identified in the table of contents as supplemental information including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Housing Authority of The City of Sulphur. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DUNN, ROBERTS
& COMPANY, LLC

Dunn, Roberts & Company, LLC

DUNN, ROBERTS & COMPANY, LLC

Lake Charles, Louisiana
June 6, 2006

HOUSING AUTHORITY OF SULPHUR, LOUISIANA

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2005

Housing Authority of Sulphur, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2005

The management of Public Housing Authority of Sulphur, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending December 31, 2005. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$3,970,815 at the close of the fiscal year ended 2005.
 - ✓ Of this amount \$2,958,798 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - ✓ The remainder of \$1,012,017 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 48% of the total operating expenses of \$2,094,929 for the fiscal year 2005, which means the Authority might be able to operate about 6 months using the unrestricted assets alone.
- The Housing Authority's total net assets decreased by \$431,200, a 10% change from the prior fiscal year 2004. This decrease is attributable to depreciation, the Authority's largest non-cash expense, and a significant casualty loss incurred from Hurricane Rita, described in more detail below.
- The decrease in net assets of these funds was accompanied by a decrease in unrestricted cash by \$327,542 from fiscal year 2004, primarily due to spending about \$126,000 more for operations than Federal funds received for operations; spending about \$225,000 more for capital assets than Federal capital grants received; and transferring about \$24,000 of cash needed for operations out of investments into cash.
- The Authority spent \$18,769 on capital asset additions and \$226,315 on construction in progress during the current fiscal year.
- These changes led to a decrease in total assets by \$421,756 and an increase in total liabilities by \$9,706. However, as another measure of financial health, there are still over \$14 of current assets covering each dollar of total current and long-term liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2005?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

- Low Rent Public Housing
- Housing Choice Vouchers
- Lower Income Housing Assistance Program - Section 8 Mod Rehabilitation
- Public Housing Capital Fund Program
- Shelter Plus Care

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

Housing Authority of Sulphur, Louisiana
 Management's Discussion and Analysis (MD&A)
 December 31, 2005

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$3,970,815 as of December 31, 2005. Of this amount, \$2,958,798 was invested in capital assets, and the remaining \$1,012,017 was unrestricted. No other specific Assets are restricted. Also, there are no other restrictions on general Net Assets.

CONDENSED FINANCIAL STATEMENTS

**Condensed Balance Sheet
 (Excluding Interfund Transfers)
 As of December 31,**

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets	\$ 1,089,025	\$1,423,770
Capital Assets, Net of Depreciation	2,958,798	3,045,547
Total Assets	<u>4,047,823</u>	<u>4,469,317</u>
LIABILITIES		
Current Liabilities	65,045	54,894
Non-Current Liabilities	11,963	12,408
Total Liabilities	<u>77,008</u>	<u>67,302</u>
NET ASSETS		
Invested in Capital Assets, Net of Depreciation	2,958,536	3,045,547
Unrestricted Net Assets	1,012,279	1,356,468
Total Net Assets	<u>3,970,815</u>	<u>4,402,015</u>
Total Liabilities and Net Assets	<u>\$ 4,047,823</u>	<u>\$ 4,469,317</u>

Housing Authority of Sulphur, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2005

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds decreased by \$431,200, or by 10%, from those of fiscal year 2004, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets
(Excluding Interfund Transfers)
Fiscal Year Ended December 31,**

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Federal Grants - Operating	\$1,252,300	\$1,751,138
Rental Revenue	247,085	243,029
Other Tenant Revenue	1,300	35,757
Total Operating Revenues	<u>1,500,685</u>	<u>2,029,924</u>
OPERATING EXPENSES		
Housing Assistance Payments to Landlords	809,217	759,165
Depreciation	329,516	318,181
Maintenance and repairs	307,582	316,300
Administration	290,714	274,188
General	125,629	96,652
Utilities	61,688	57,661
Extraordinary Repairs from Hurricane Rita damage	43,902	650
Tenant Services	2,899	4,895
Total Operating Expenses	<u>1,971,147</u>	<u>1,827,692</u>
Income (Loss) from Operations	<u>(470,462)</u>	<u>202,232</u>
NON-OPERATING REVENUES		
Other Non-Tenant Revenue, including Casualty Insurance Proceeds	140,006	27,865
Interest Income	22,777	11,529
Total Non-Operating Revenues	<u>162,783</u>	<u>39,394</u>
NON-OPERATING EXPENSES		
Casualty Losses from Hurricane Rita damage	120,540	-
Losses on Disposal of Assets	3,243	-
Total Non-Operating Expenses	<u>123,783</u>	<u>-</u>
Income (Loss) after Non-Operating Revenues and Expenses	<u>(431,200)</u>	<u>241,626</u>
OTHER CHANGES IN NET ASSETS		
Federal Grants - Capital	-	230,720
NET INCREASE (DECREASE) IN NET ASSETS	<u>(431,200)</u>	<u>472,346</u>
NET ASSETS, Beginning of Year	<u>4,402,015</u>	<u>3,929,669</u>
NET ASSETS, End of Year	<u>\$ 3,970,815</u>	<u>\$4,402,015</u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues decreased \$636,570, or by 28%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal revenues from HUD for operations decreased by \$498,838, or by 28% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, then uses this final result as a basis for determining the grant amount.
- Federal Capital Funds from HUD decreased by \$230,720, or by 100% from that of the prior fiscal year. No capital funds grants from HUD were received in the current fiscal year; they were temporarily suspended until assessment of the hurricane damages could be completed.
- Total other non-operating revenue increased by \$112,142 from that of the prior fiscal year, primarily because the Authority received proceeds from damage caused by Hurricane Rita, and because it received waivers of payments in lieu of taxes (PILOT) from its local municipal authorities, discussed further below.
- Total tenant revenue decreased by \$30,401, or by 11% from that of the prior fiscal year, due to two major factors: Tenant rental revenues increased by \$4,056, or by 2%, despite the fact that occupancy rates decreased by 26%, in large part due to Hurricane Rita damage. The amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) decreased by \$34,457. In light of the hurricane damage, it was necessary waive some of these fees.
- Interest income increased by \$11,248, or by 98% from that of the prior fiscal year, because over \$574,000 of available cash were transferred into interest-bearing deposits rather than invested in capital assets.

Compared with the prior fiscal year, total operating and non-operating expenses increased \$267,237, or by 15%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- Casualty losses increased by \$120,540 from that of the prior fiscal year, because of the losses caused by Hurricane Rita. This was partially offset by insurance proceeds received during the year, noted above.
- Housing Assistance Payments to landlords increased by \$50,052, or by 7% from that of the prior fiscal year, because there was an increase in the number of tenants qualifying for subsidy during the year. Consequently, revenues from HUD for these subsidies increased by \$6,390.
- Maintenance and repairs increased by \$8,718 from that of the prior fiscal year, because repair staff wages decreased by \$655, or by 1%, related employee benefit contributions decreased by \$7,134, or by 12%, and contract labor costs decreased by \$1,182, or by 1%. In addition, Extraordinary maintenance increased by \$43,252 from that of the prior fiscal year, due to the immediate repairs required in the aftermath of Hurricane Rita.

Housing Authority of Sulphur, Louisiana
 Management's Discussion and Analysis (MD&A)
 December 31, 2005

- General Expenses increased by \$28,977, or by 30% from that of the prior fiscal year, primarily because insurance premiums increased by \$4,581, or by 6%, since property and casualty insurance premiums increased. Also, uncollectible rents from vacated units increased by \$5,727, or by 31%. Finally, payments in lieu of taxes (PILOT) increased by \$18,670, but as noted previously; these were waived, which increased other non-operating income.
- Administrative Expenses increased by \$16,526, or by 6% from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$3,198, and related employee benefit contributions increased by \$12,301, but staff vacation and sick leave pay decreased by \$1,319; therefore, total staff salaries and benefit costs increased by 8%. In addition, audit fees increased by \$1,800, accounting fees increased by \$7,217, and legal fees increased by \$1,271; thus, total outside professional fees increased by 47%. On the other hand, however, sundry expenses decreased by \$12,519, but staff travel reimbursements increased by \$3,365 and staff training costs increased by \$1,214; therefore, other staff administrative expense decreased by 12%.
- Depreciation expense increased by \$11,335, or by 4% from that of the prior fiscal year, because there was an increase in capital assets by \$245,084.
- Utilities Expense increased by \$4,027, or by 7% from that of the prior fiscal year, because water consumption increased by \$1,602, electricity increased by \$823, and other utilities expense (such as garbage, sewage, and waste removal) increased by \$1,602.
- Losses on sales of assets and tenant services, totaling \$6,140, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2005, the Housing Authority had a total cost of \$9,094,376 invested in a broad range of assets and construction in progress from projects funded in 2005 through 2005, listed below. This amount, not including depreciation, represents increases of \$245,084 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
 As of December 31,**

	<u>2005</u>	<u>2004</u>
Land	\$ 99,900	\$ 99,900
Buildings	2,332,451	2,454,741
Leasehold Improvements	461,969	380,677
Furniture and Equipment	64,478	110,229
	<u> </u>	<u> </u>
Total	<u>\$ 2,958,798</u>	<u>\$3,045,547</u>

As of the end of the 2005 fiscal year, the Authority is still in the process of completing HUD grants of \$765,233 obtained during 2005 through 2005 fiscal years. A total remainder of \$331,262 will be received and \$313,404 will be spent for completing these projects during fiscal year 2006.

Debt

Non-current liabilities also include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2006 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Lawrence Italio, at Public Housing Authority of Sulphur, Louisiana; P. O. Box 271; Sulphur, LA 70664.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Balance Sheet

December 31, 2005

			(Memorandum Only) Totals Primary Government
ASSETS	General	Section 8	
Current assets			
Cash	\$ 774,669	\$ 217,029	\$ 991,698
Investments	30,000	-	30,000
Accounts receivable, net	989	17,858	18,847
Interfund receivable	10,057	152,771	162,828
Inventory	1,315	-	1,315
Prepaid items and other assets	17,236	407	17,643
Total current assets	<u>834,266</u>	<u>388,065</u>	<u>1,222,331</u>
Restricted assets			
Security deposits	29,523	-	29,523
Total restricted assets	<u>29,523</u>	<u>-</u>	<u>29,523</u>
Capital assets, net			
Land	99,900	-	99,900
Buildings and equipment, net	2,851,190	7,708	2,858,898
Total capital assets, net	<u>2,951,090</u>	<u>7,708</u>	<u>2,958,798</u>
TOTAL ASSETS	<u>\$ 3,814,879</u>	<u>\$ 395,773</u>	<u>\$ 4,210,652</u>

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Balance Sheet (Continued)

December 31, 2005

	<u>General</u>	<u>Section 8</u>	<u>(Memorandum Only) Totals Primary Government</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 20,224	\$ -	\$ 20,224
Interfund payable	8,804	154,024	162,828
Deferred revenues	8,804	-	8,804
Current portion of long term debt	5,565	929	6,494
Total current liabilities	<u>43,397</u>	<u>154,953</u>	<u>198,350</u>
Current liabilities payable from current restricted assets			
Deposits due others	29,523	-	29,523
Noncurrent liabilities			
Compensated absences payable	10,927	1,035	11,962
Total liabilities	<u>83,847</u>	<u>155,988</u>	<u>239,835</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,951,090	7,708	2,958,798
Unrestricted	779,942	232,077	1,012,019
Net assets	<u>3,731,032</u>	<u>239,785</u>	<u>3,970,817</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,814,879</u>	<u>\$ 395,773</u>	<u>\$ 4,210,652</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended December 31, 2005

			(Memorandum Only) Total Primary Government
OPERATING REVENUES	General	Section 8	
Dwelling rental	\$ 248,385	\$ -	\$ 248,385
Other	137,609	1,736	139,345
Total operating revenues	<u>385,994</u>	<u>1,736</u>	<u>387,730</u>
OPERATING EXPENSES			
Administration	232,707	58,006	290,713
Tenant services	2,899	-	2,899
Utilities	61,688	-	61,688
Ordinary maintenance and operation	307,581	-	307,581
General expenses	124,168	1,462	125,630
Nonroutine maintenance	164,442	-	164,442
Housing assistance payments	-	809,217	809,217
Depreciation	325,730	3,789	329,519
Total operating expenses	<u>1,219,215</u>	<u>872,474</u>	<u>2,091,689</u>
Income (loss) from operations	<u>(833,221)</u>	<u>(870,738)</u>	<u>(1,703,959)</u>
Nonoperating revenues (expenses)			
Interest earnings	17,677	5,100	22,777
Gain (loss) on disposition of capital assets	(2,316)	-	(2,316)
Federal grants	353,108	899,192	1,252,300
Total nonoperating revenues (expenses)	<u>368,469</u>	<u>904,292</u>	<u>1,272,761</u>
Change in net assets	(464,752)	33,554	(431,198)
NET ASSETS AT BEGINNING OF YEAR	<u>4,195,784</u>	<u>206,231</u>	<u>4,402,015</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,731,032</u>	<u>\$ 239,785</u>	<u>\$ 3,970,817</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

For the Year Ended December 31, 2005

(Memorandum
Only)
Total
Primary
Government

	General	Section 8	
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	\$ 248,534	\$ -	\$ 248,534
Payments to vendors	(576,917)	(23,929)	(600,846)
Payments to employees	(303,339)	(39,932)	(343,271)
Other receipts (payments)	350,583	(214,300)	136,283
Payments to private landlords	-	(809,217)	(809,217)
Net cash provided by (used in) operating activities	<u>(281,139)</u>	<u>(1,087,378)</u>	<u>(1,368,517)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal Grants	353,108	910,176	1,263,284
Net cash provided by (used in) noncapital financing activities	<u>353,108</u>	<u>910,176</u>	<u>1,263,284</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(246,009)	-	(246,009)
Proceeds from sales of capital assets	925	-	925
Net cash provided by (used in) capital and related financing activities	<u>(245,084)</u>	<u>-</u>	<u>(245,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	17,676	5,099	22,775
Net cash provided by (used in) investing activities	<u>17,676</u>	<u>5,099</u>	<u>22,775</u>
Net increase (decrease) in cash and cash equivalents	(155,439)	(172,103)	(327,542)
Cash and cash equivalents at beginning of year	<u>959,631</u>	<u>389,132</u>	<u>1,348,763</u>
Cash and cash equivalents at end of year	<u>\$ 804,192</u>	<u>\$ 217,029</u>	<u>\$ 1,021,221</u>

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows (Continued)

For the Year Ended December 31, 2005

	<u>General</u>	<u>Section 8</u>	<u>(Memorandum Only) Total Primary Government</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ (833,221)	\$ (870,738)	\$ (1,703,959)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	325,730	3,789	329,519
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	149	(3,062)	(2,913)
(Increase) decrease in interfund receivables	204,170	(54,921)	149,249
(Increase) decrease in inventory	666	-	666
(Increase) decrease in prepaid items	(1,128)	(407)	(1,535)
Increase (decrease) in accounts payable	2,618	-	2,618
Increase (decrease) in deferred revenue	7,343	-	7,343
Increase (decrease) in interfund payables	8,804	(158,053)	(149,249)
Increase (decrease) in compensated absences	3,730	(3,986)	(256)
Net cash provided by (used in) operating activities	<u>\$ (281,139)</u>	<u>\$ (1,087,378)</u>	<u>\$ (1,368,517)</u>
 Reconciliation of cash and cash equivalents at end of year to Balance Sheet presentation:			
Cash	\$ 774,669	\$ 217,029	\$ 991,698
Security deposits	29,523	-	29,523
Cash and cash equivalents at end of year	<u>\$ 804,192</u>	<u>\$ 217,029</u>	<u>\$ 1,021,221</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

Note 1 - Organization and Summary of Significant Accounting Policies

The Housing Authority of The City of Sulphur (the Authority) was incorporated July 31, 1961 under the authority of the Constitution and statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Sulphur, Louisiana.

A. Financial Reporting Entity

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of Sulphur since the Honorable Mayor of the City of Sulphur appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered multi-year terms. The City of Sulphur is not financially accountable for the Authority as it is not able to impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Sulphur. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Sulphur or any other governmental unit.

In determining how to define the reporting entity, management has considered all potential component units. Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The criterion include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based on the previous criteria, the Authority has determined that there are no component units that should be considered as part of the Authority's reporting entity.

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

A. Financial Reporting Entity (Continued)

Programs within the general and section 8 funds operated by the Authority receive federal financial assistance from the U.S. Department of Housing and Urban Development (HUD), and are subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes.

A brief description of the various programs is as follows:

- Housing Authority Owned Rental Housing (FW-1132) - Approximately 201 units of low-income public housing is owned by the Housing Authority of The City of Sulphur. Low Income is defined by published entry in the Federal Register per Standard Metropolitan Statistical Areas (SMSA). Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- Section 8 Public Owned Rental Housing - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low-income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing. The Housing Authority of The City of Sulphur makes up the difference between the tenants portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into two programs:

Housing Choice Vouchers (FW-2228V) – 128 units
Moderate Rehab (FW-2074) – 82 units

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

A. Financial Reporting Entity (Continued)

- Shelter Plus Care Housing - This program provides for housing for homeless individuals and families with special disabilities. The basic Section 8 rules apply.

B. Funds

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Authority are classified as proprietary. The general fund accounts for transactions of the public housing low rent program and the capital fund program. The Section 8 fund accounts for transactions of the housing choice voucher program, the moderate rehab program, and the shelter plus care housing program.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's funds are rent and maintenance charges to residents and administration fees earned.

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Total columns on the basic financial statements are captioned as "Memorandum Only," because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

D. Budgets

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. The Authority considers all highly liquid transactions purchased with an original maturity of 90 days or less when purchased to be cash equivalents. The Authority had no cash equivalents at December 31, 2005.

F. Investments

Investments are limited by LSA-R.S. 33:2955 and the Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments included a certificate of deposit totaling \$30,000.

The investments are reflected at fair value except for the following, when applicable, which are required/permitted as per GASB Statement No. 31:

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

F. Investments (Continued)

1. Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
2. Money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

G. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Additionally, transactions occur between individual funds as a result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. These receivables and payables are classified as interfund receivables/payables.

H. Inventory

All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

I. Prepaid Items

Payments made to vendors that will benefit periods beyond the fiscal year end are recorded as prepaid items.

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

J. Restricted Assets

Certain assets are classified as restricted assets on the balance sheet because their use is restricted for security deposits held in trust.

K. Capital Assets

The Authority's purchased capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize significant items of equipment, major renovations, buildings, and real estate. The Authority capitalizes equipment and/or personal property with an initial cost of \$500 or more and an anticipated life or useful value of said equipment or property of more than one year.

Straight-line depreciation is calculated in accordance with PHA-GAAP guidelines as follows:

Original buildings	33 years
Building Improvements	15 years
Site improvements	15 years
Furniture and equipment	5-7 years
Computers	3 years

When capital assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

L. Deferred Revenues

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

M. Compensated Absences

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Annual and sick leave is earned by each full-time and each part-time associate who has a regular tour of duty, except that no associate shall earn annual or sick leave while serving on restricted appointment or while using leave from an agency leave pool as defined in Rule 11.34.

The earning of such leave is based on the equivalent of years of full-time State service and shall be creditable at the end of each calendar month or at the end of each regular pay period based on graduated rates per hour. Accrued unused annual and sick leave earned by an associate shall be carried forward to succeeding calendar years. Upon separation from the Authority, an associate is paid the value of his accrued annual leave in a lump sum up to a maximum of 300 hours, disregarding any final fraction of an hour; provided the privileges of this rule shall not extend to any associate who is dismissed for theft of Authority funds or property. Upon separation from the Authority, an associate is not compensated for sick leave.

N. Restricted Net Assets

Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

Note 2 - Deposits and Investments

The Authority's investments are limited to those allowed by state statute. At December 31, 2005, the Authority's investments consisted of a certificate of deposit.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2005, \$765,274 of the Authority's bank balances of \$1,071,585 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging

Banks' trust department not in the

Authority's name

\$765,274

Although the pledged securities are considered uncollateralized under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon request.

Under state law, the Authority's demand deposits are required to be fully collateralized at all times. Acceptable collateralization includes Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC), and pledged securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Note 3 - Accounts Receivable

The accounts receivables at December 31, 2005 are as follows:

Class of Receivable	(Memorandum Only) Total		
	General	Section 8	
HUD	\$ -	\$ 17,858	\$ 17,858
Tenants	989	-	989
	<u>\$ 989</u>	<u>\$ 17,858</u>	<u>\$ 18,847</u>

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

Note 3 - Accounts Receivable (Continued)

Included in tenants accounts receivable are repayment agreements for fraudulently reporting incorrect income amounts for past rental calculations. The tenants account receivable is net of an allowance for doubtful accounts of \$10,907. The Housing Authority expects to collect all receivables within one year.

Note 4 - Prepaid Items

Prepaid items as of December 31, 2005 consisted of prepaid insurance of \$17,643.

Note 5 - Capital Assets

Changes in capital assets and accumulated depreciation during the current year are as follows:

	12/31/2004			12/31/2005
	Cost	Additions	Dispositions	Cost
Land	\$ 99,900	\$ -	\$ -	\$ 99,900
Buildings	8,572,190	114,736	-	8,686,926
Furniture, equipment, and machinery	227,769	32,073	51,491	208,351
Site improvements		99,200	-	99,200
	<u>\$ 8,899,859</u>	<u>\$ 246,009</u>	<u>\$ 51,491</u>	9,094,377
Accumulated depreciation:				
Balance 12/31/04				5,854,312
Current year depreciation				329,519
Current year dispositions				<u>48,252</u>
Balance 12/31/05				<u>6,135,579</u>
Capital assets, net of accumulated depreciation				<u><u>\$ 2,958,798</u></u>

Note 6 - Interfund Receivables/Payables

The following schedule reports receivables and payables within the reporting entity at December 31, 2005:

	Receivable	Payable
General Fund	\$ 10,057	\$ 8,804
Section 8	152,771	154,024
	<u>\$ 162,828</u>	<u>\$ 162,828</u>

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

Note 7 - Accounts Payable

The accounts payable at December 31, 2005 are as follows:

Class of Payable	General	Section 8	(Memorandum Only) Total
Vendors	\$ 14,437		\$ 14,437
Due to Other Governments			
Payment in lieu of property tax	5,787	-	5,787
	<u>\$ 20,224</u>	<u>\$ -</u>	<u>\$ 20,224</u>

Note 8 - General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended December 31, 2005, which consisted of, compensated absences:

Balance, beginning	\$ 18,712
Additions	10,077
Deductions	10,333
Balance, ending	<u>\$ 18,456</u>
Amounts due in one year	<u>\$ 6,494</u>

In the past the liability has been liquidated by the general fund.

Note 9 - Retirement Plan

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Authority provides pension benefits for all of its full-time employees. All regular and full time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. The Board of Commissioners of the Authority determines plan provisions and changes to plan contributions.

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

Note 9 – Retirement Plan (Continued)

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan the Authority contributes 8.5% of the employee's basic (excludes overtime) monthly salary to the plan with the provision that the employee is required to contribute a minimum of 6.5%. The Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Authority. Normal retirement date shall be the first day of the month following the employee's 65th birthday or after 10 years of participation in the plan.

The Authority's total payroll for the year ended December 31, 2005 was \$239,387. The Authority's contributions were calculated using the base salary amount of \$185,704. The Authority made the required contributions of \$15,704 for the year ended December 31, 2005.

Note 10 - Contingencies and Commitments

Litigation. At December 31, 2005, the Authority was involved in various litigation. It is the opinion of the legal advisor of the Authority that this litigation would not have a material effect on the financial statements and that any potential liability would be covered by insurance.

Grant Disallowances In the normal course of operations, the Authority receives grant funds from federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management of the Authority believes that the amount of disallowances, if any, which may arise from future audits will not be material.

Construction Projects There are construction projects in progress at December 31, 2005 which include modernizing rental units. HUD funds these projects. Funds are requested periodically as the cost is incurred. The outstanding construction commitment was approximately \$58,200 as of December 31, 2005.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to Basic Financial Statements

December 31, 2005

Note 11 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 – Economic Dependence and Current Vulnerability Due to Certain Concentrations

Statement of Financial Accounting Standard (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$1,252,300 to the Authority, which represents approximately 75% of the Authority's total revenue for the year.

The Authority's operations are concentrated in the public housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. HUD subject to change by an act of congress or an administrative change mandates such administrative directives, rules, and regulations. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. The Authority did incur damages to capital assets. The Authority estimates the costs of repairs or replacements to be covered by insurance. The long-term effects of these events directly on the Authority cannot be determined at this time.

SUPPLEMENTARY INFORMATION

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2005

Line Item No.	Account Description	Lower Income Housing Assistance Program					Public Housing Capital Fund Program	Total
		Shelter Plus Care	Low Rent Public Housing	Section 8 Moderate Rehabilitation LA063MR0001	Housing Choice Vouchers			
111	Cash-Unrestricted	\$0	\$774,689	\$0	\$217,029	\$0	\$0	\$991,698
113	Cash-Other Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0
114	Cash-Tenant Security Deposits	\$0	\$29,523	\$0	\$0	\$0	\$0	\$29,523
100	Total Cash	\$0	\$804,192	\$0	\$217,029	\$0	\$0	\$1,021,221
121	Accounts Receivable-PHA Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0
122	Accounts Receivable-HUD Other Projects	\$17,858	\$0	\$0	\$0	\$0	\$0	\$17,858
125	Accounts Receivable-Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	\$0
126	Accounts Receivable-Tenants-Dwelling Rents	\$0	\$11,896	\$0	\$0	\$0	\$0	\$11,896
126.1	Allowance for Doubtful Accounts-Dwelling Rents	\$0	(\$10,907)	\$0	\$0	\$0	\$0	(\$10,907)
126.2	Allowance for Doubtful Accounts-Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts-Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowance for doubtful accounts	\$17,858	\$989	\$0	\$0	\$0	\$0	\$18,847
131	Investments-Unrestricted	\$0	\$30,000	\$0	\$0	\$0	\$0	\$30,000
132	Investments Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0
142	Prepaid Expenses and Other Assets	\$0	\$17,236	\$0	\$407	\$0	\$0	\$17,643
143	Inventories	\$0	\$1,315	\$0	\$0	\$0	\$0	\$1,315
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$1,253	\$134,913	\$17,858	\$8,804	\$0	\$162,828
150	Total Current Assets	\$17,858	\$854,985	\$134,913	\$235,294	\$8,804	\$0	\$1,251,854
161	Land	\$0	\$99,900	\$0	\$0	\$0	\$0	\$99,900
162	Buildings	\$0	\$7,420,511	\$0	\$0	\$0	\$0	\$7,420,511
163	Furniture, Equipment & Machinery-Dwellings	\$0	\$386,750	\$9,469	\$1,485	\$0	\$0	\$397,704
164	Furniture, Equipment & Machinery-Administration	\$0	\$131,073	\$0	\$9,137	\$0	\$0	\$140,210
165	Leasehold Improvements	\$0	\$1,036,052	\$0	\$0	\$0	\$0	\$1,036,052
166	Accumulated Depreciation	\$0	(\$6,123,196)	(\$5,815)	(\$6,768)	\$0	\$0	(\$6,135,579)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$2,951,090	\$3,854	\$3,854	\$0	\$0	\$2,958,798
174	Other Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
180	Total Non-Current Assets	\$0	\$2,951,090	\$3,854	\$3,854	\$0	\$0	\$2,958,798
190	Total Assets	\$17,858	\$3,806,075	\$138,767	\$239,148	\$8,804	\$0	\$4,210,652

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2005

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable <=90 Days	\$0	\$0	\$0	\$0	\$0	\$0
321	Accrued Wage/Payroll Taxes Payable	\$0	\$14,437	\$0	\$0	\$0	\$14,437
322	Accrued Compensated Absences - Current Portion	\$0	\$5,565	\$0	\$929	\$0	\$6,494
331	Accounts Payable-HUD PHA Programs	\$0	\$0	\$0	\$0	\$0	\$0
333	Accounts Payable-Other Government	\$0	\$5,787	\$0	\$0	\$0	\$5,787
341	Tenant Security Deposits	\$0	\$29,523	\$0	\$0	\$0	\$29,523
342	Deferred Revenues	\$0	\$0	\$0	\$0	\$8,804	\$8,804
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0
346	Accrued Liabilities-Other	\$0	\$0	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$17,858	\$8,804	\$0	\$136,166	\$0	\$162,828
310	Total Current Liabilities	\$17,858	\$64,116	\$0	\$137,095	\$8,804	\$227,873
354	Accrued Compensated Absences-Non Current	\$0	\$10,927	\$0	\$1,035	\$0	\$11,962
350	Total Noncurrent Liabilities	\$0	\$10,927	\$0	\$0	\$0	\$11,962
300	Total Liabilities	\$17,858	\$75,043	\$0	\$138,130	\$8,804	\$239,835
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$2,951,090	\$3,854	\$3,854	\$0	\$2,958,798
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$0	\$779,942	\$134,913	\$97,164	\$0	\$1,012,019
513	Total Equity/Net Assets	\$0	\$3,731,032	\$138,767	\$101,018	\$0	\$3,970,817
600	Total Liabilities and Equity/Net Assets	\$17,858	\$3,806,075	\$138,767	\$239,148	\$8,804	\$4,210,662

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2005

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$0	\$247,085	\$0	\$0	\$0	\$247,085
704	Tenant Revenue-Other	\$0	\$1,300	\$0	\$0	\$0	\$1,300
705	Total Tenant Revenue	\$0	\$248,385	\$0	\$0	\$0	\$248,385
706	HUD PHA Operating Grants	\$68,426	\$348,879	\$383,782	\$446,984	\$4,229	\$1,252,300
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0
711	Investment Income-Unrestricted	\$0	\$17,677	\$2,550	\$2,550	\$0	\$22,777
714	Fraud Recovery	\$0	\$0	\$1,024	\$450	\$0	\$1,474
715	Other Revenue	\$0	\$137,609	\$0	\$262	\$0	\$137,871
716	Gain/Loss on Sale of Fixed Assets	\$0	(\$2,316)	\$0	\$0	\$0	(\$2,316)
720	Investment Income-Restricted	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$68,426	\$750,234	\$387,358	\$450,248	\$4,229	\$1,660,491
911	Administrative Salaries	\$3,269	\$94,690	\$15,467	\$15,467	\$0	\$128,893
912	Auditing Fees	\$0	\$7,669	\$730	\$730	\$0	\$9,129
914	Compensated Absences	\$0	\$5,571	(\$1,993)	(\$1,993)	\$0	\$1,585
915	Employee Benefit Contributions-Administrative	\$0	\$61,296	\$4,869	\$4,869	\$0	\$61,014
916	Other Operating-Administrative	\$0	\$70,448	\$7,857	\$8,754	\$3,033	\$90,092
921	Tenant Services-Salaries	\$0	\$0	\$0	\$0	\$0	\$0
922	Relocation Costs	\$0	\$2,899	\$0	\$0	\$0	\$2,899
923	Employee Benefit Contributions-Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0
924	Tenant Services-Other	\$0	\$0	\$0	\$0	\$0	\$0
931	Water	\$0	\$25,412	\$0	\$0	\$0	\$25,412
932	Electricity	\$0	\$10,867	\$0	\$0	\$0	\$10,867
933	Gas	\$0	\$0	\$0	\$0	\$0	\$0
938	Other Utilities Expense	\$0	\$25,409	\$0	\$0	\$0	\$25,409
941	Ordinary Maintenance and Operations-Labor	\$0	\$99,852	\$0	\$0	\$0	\$99,852
942	Ordinary Maintenance and Operations-Materials and Other	\$0	\$48,879	\$0	\$0	\$1,196	\$50,075
943	Ordinary Maintenance and Operations-Contract Costs	\$0	\$105,724	\$0	\$0	\$0	\$105,724
945	Employee Benefit Contributions-Ordinary Maintenance	\$0	\$51,930	\$0	\$0	\$0	\$51,930
952	Protective Services-Other Contract Costs	\$0	\$0	\$0	\$0	\$0	\$0
961	Insurance Premiums	\$0	\$81,184	\$731	\$731	\$0	\$82,646
962	Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$0
963	Payments in Lieu of Taxes	\$0	\$18,670	\$0	\$0	\$0	\$18,670
964	Bad Debt-Tenant Rents	\$0	\$24,314	\$0	\$0	\$0	\$24,314
966	Bad Debt-Other	\$0	\$0	\$0	\$0	\$0	\$0
968	Severance Expense	\$0	\$0	\$0	\$0	\$0	\$0
969	Total Operating Expenses	\$3,269	\$724,814	\$27,651	\$28,548	\$4,229	\$788,511
970	Excess Operating Revenue over Operating Expenses	\$65,157	\$25,420	\$359,705	\$421,698	\$0	\$871,980
971	Extraordinary Maintenance	\$0	\$43,902	\$0	\$0	\$0	\$43,902
972	Casualty Losses-Non-Capitalized	\$0	\$120,540	\$0	\$0	\$0	\$120,540
973	Housing Assistance Payments	\$65,157	\$0	\$329,460	\$414,600	\$0	\$809,217
974	Depreciation Expense	\$0	\$325,730	\$1,895	\$1,894	\$0	\$329,519
900	Total Expenses	\$68,426	\$1,214,986	\$359,006	\$445,042	\$4,229	\$2,091,689
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess-Deficiency of Operating Revenue Over (Under) Expenses	\$0	(\$464,752)	\$28,350	\$5,204	\$0	(\$431,198)

continued

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2005

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation LA063MR0001	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principle Payments	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$0	\$3,451,203	\$110,417	\$95,814	\$744,581	\$4,402,015
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$744,581	\$0	\$0	(\$744,581)	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$348,879	\$445,763	\$0	\$794,642
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$1,891,664	\$48,101	\$0	\$1,939,765
1116	Total Annual Contributions Available	\$0	\$0	\$2,240,543	\$493,864	\$0	\$2,734,407
1120	Unit Months Available	203	2,398	1,088	1,260	0	4,949
1121	Number of Unit Months Leased	203	2,231	908	1,206	0	4,548

Housing Authority of The City of Sulphur
Sulphur, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2005

Federal Grantor/Pass-through Grantor/Program Name	1/1/05-12/31/05 Grants	
	CFDA Number	Expenditures
Department of Housing and Urban Development:		
PHA Owned Housing	14.860	\$ 348,879
Public Housing Capital Fund		
2005 Capital Grant	14.872	4,229
Section 8 Moderate Rehabilitation	14.866	383,782
Section 8 Housing Choice Vouchers	14.871	446,984
Shelter Plus Care Renewal	14.238	68,426
		<hr/>
		\$ 1,252,300

See accompanying notes to Schedule of Expenditures of Federal Awards.

Tax
Accounting and Auditing
Financial Planning and Forecasting
Estate Planning
Management Advisory Services
Small Business Accounting Services

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

MEMBERS

Board of Commissioners
Housing Authority of The City of Sulphur
Sulphur, Louisiana

Robert G. Dunn
CPA

We have audited the financial statements of the business-type activities, each major fund, and the remaining aggregate remaining fund information of the Housing Authority of The City of Sulphur as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Sara A. Roberts
CPA

Internal Control Over Financial Reporting

Donita G. Helms
CPA

In planning and performing our audit, we considered the Housing Authority of The City of Sulphur's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of The City of Sulphur's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements,



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noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



DUNN, ROBERTS
& COMPANY, LLC

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

Dunn, Roberts & Company, LLC
DUNN, ROBERTS & COMPANY, LLC

Lake Charles, Louisiana
June 6, 2006

Tax
Accounting and Auditing
Financial Planning and Forecasting
Estate Planning
Management Advisory Services
Small Business Accounting Services

**Report on Compliance With Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance With
OMB Circular A-133**

MEMBERS

Board of Commissioners
Housing Authority of The City of Sulphur
Sulphur, Louisiana

Robert G. Dunn
CPA

Compliance

We have audited the compliance of the Housing Authority of The City of Sulphur with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Housing Authority of The City of Sulphur's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of The City of Sulphur's management. Our responsibility is to express an opinion on the Housing Authority of The City of Sulphur's compliance based on our audit.

Sara A. Roberts
CPA

Donita G. Helms
CPA

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of The City of Sulphur's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of The City of Sulphur's compliance with those requirements.

In our opinion, the Housing Authority of The City of Sulphur, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.



**DUNN, ROBERTS
& COMPANY, LLC**

Internal Control Over Compliance

The management of the Housing Authority of The City of Sulphur is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of The City of Sulphur's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

Dunn, Roberts & Company, LLC

DUNN, ROBERTS & COMPANY, LLC

Lake Charles, Louisiana
June 6, 2006



DUNN, ROBERTS
& COMPANY, LLC

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Schedule of Federal Financial Assistance

For the Year Ended December 31, 2005

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Housing Authority of The City of Sulphur (the Authority). The Authority's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

Note 3 - Relationship to Basic Financial Statements

Federal awards revenues are reported in the Authority's basic financial statements as follows:

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 353,108
Section 8	899,192
	<u>\$ 1,252,300</u>

Note 4 - Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2005

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of The City of Sulphur.
2. There were no reportable conditions required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
3. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.
4. No reportable conditions in internal control over major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of The City of Sulphur expresses an unqualified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 were disclosed during the audit.
7. The programs tested as major program included:
 - a. Lower Income Housing Assistance Program – CFDA 14.856
 - b. Section 8 Housing Choice Voucher Program – CFDA 14.871
 - c. PHA Owned – Low Rent Public Housing– CFDA 14.850
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Housing Authority of The City of Sulphur was determined to be a high-risk auditee.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2005

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING: 2004-01 – DISPOSITION OF PROPERTY NOT PROPERLY ACCOUNTED FOR

Condition: The finding stated that a pickup truck had been improperly disposed of in 2004.

Recommendation: The auditor recommended federal and state laws concerning advertising of surplus property before sale and timely accounting of sale proceeds be followed. The auditor also recommended all of the Authority's movable property be tagged, listed, and reconciled to the depreciation schedule, as well as details of dispositions be reviewed and approved by the Board of Commissioners.

Current Status: The Authority has incorporated federal and state laws concerning advertising of surplus property before sale and timely accounting of sale proceeds into its procedures manual. Also, the Authority maintains a detailed list of all movable property and periodically reconciles the listing to the depreciation schedule. Finally, all dispositions require approval from the Board of Commissioners.

FINDING: 2004-02 – BANK DID NOT PLEDGE COLLATERAL

Condition: The finding stated that one operating account did not have securities pledged on the deposits in excess of the \$100,000 covered by the FDIC.

Recommendation: The auditor recommended the Authority monitor all of its bank balances to ensure adequate coverage is maintained.

Current Status: The Authority now monitors its bank balances to ensure adequate collateral pledged on balances in excess of FDIC coverage. The Authority currently has adequate collateral pledged.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2005

MANAGEMENT LETTER COMMENT: 04 MI-BOARD MINUTES

Comment: The board minutes should note that the board reviews the unaudited financial statements and that the board approves the Section 8 payment standards by board resolutions.

Current Status: The board minutes now include documentation that the board has reviewed the unaudited financial statements and that the Section 8 payment standards are approved by board resolutions.

MANAGEMENT LETTER COMMENT: 04 M2-QUALITY CONTROL CHECKLISTS

Comment: For tenant files selected for quality control review, the checklists should be more detailed.

Current Status: The checklists that the PHA is currently using provide adequate detail.

MANAGEMENT LETTER COMMENT: 04 M3-Error On MASS

Comment: The PHA had answered an optional question incorrectly on the MASS submission.

Current Status: Because the question is optional, the PHA has decided to no longer answer it.